

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04  
NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04  
ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01  
/100 W

-----072004Z 106571 /46

R 071830Z JAN 77

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 8568

INFO USMISSION EC BRUSSELS

USDEL MTN GENEVA

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E. O. 11652: N/A

TAGS: ETRD, FR

SUBJECT: FRENCH ACTION ON PHOSPHATE FERTILIZER IMPORTS

REF: (A) STATE 304025; (B) PARIS A-367 (SEPT. 3, 1976)

1. SUMMARY. IMPENDING FRENCH ACTION ON PHOSPHATE FERTILIZER IMPORTS IS TIED UP IN INTERNECINE STRUGGLE BETWEEN GOF MINISTRY OF INDUSTRY PLANNERS AND FRENCH FERTILIZER PRODUCERS. GOF WOULD LIKE TO UNDO INDUSTRY-INITIATED RESTRUCTURING WHICH BEGAN LAST SUMMER AND IS USING ALL LEVERAGE AT ITS DISPOSAL, INCLUDING FORMAL UNILATERAL IMPORT RESTRICTIONS, TO PERSUADE INDUSTRY THAT IT SHOULD HEED GOF GUIDANCE. END SUMMARY

2. ALTHOUGH GOF REFUSES TO FORECLOSE OPTION OF TAKING WHATEVER UNILATERAL ACTION IT BELIEVES IS ESSENTIAL TO PROTECTION OF FRENCH FERTILIZER INDUSTRY, EMBASSY BELIEVES THAT OPTION WILL BE USED ONLY IF EC COMMISSION FAILS TO ACT. GOF MINISTRY OF INDUSTRY ACKNOWLEDGES DIFFICULTIES POSED BY PRESENT ADMINISTRATIVE VISA  
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REQUIREMENT CUM "TEMPORARY" QUOTA LIMITATION ON INDIVIDUAL IMPORTERS, AND ALLEGEDLY IS PRESSING PRIME MINISTER TO ACT ON MINISTRY OF INDUSTRY PROPOSALS BEFORE PERIOD OF HEAVY FERTILIZER DELIVERIES FOR SPRING PLANTING SEASON.

3. EMBASSY BELIEVES RESOLUTION OF FERTILIZER IMPORT

ISSUE IS WOUND UP IN PACKAGE OF OTHER ISSUES WHICH MINISTRY OF INDUSTRY IS NOW STRUGGLING WITH ON INDUSTRIAL LEVEL. MINISTRY HAS ALREADY MADE CLEAR ITS DISTASTE FOR INDUSTRY-INITIATED RESTRUCTURING TOUCHED OFF LAST SUMMER BY ANNOUNCEMENT OF COOPERATION AGREEMENT STATE-OWNED ENTREPRISE MINIERE ET CHIMIQUE (EMC) AND PRIVATE FIRM GARDINIER. REFAIR (B) PP. 11-13. KNOWLEDGEABLE AMERICAN INTIMATELY FAMILIAR WITH FRENCH FERTILIZER INDUSTRY FLATLY STATES THAT GARDINIER IS ONLY FRENCH FERTILIZER FIRM WORTH ITS SALT, THAT EMC'S NITROGEN-BASED OPERATIONS WOULD COMPLEMENT GARDINIER'S PREEMINENCE IN PHOSPHATES, AND TOGETHER THEY WOULD BE TOO MUCH FOR THE REST OF FRENCH INDUSTRY. THE EFFORTS OF THREE OTHER FRENCH FERTILIZER PRODUCERS, STATE-OWNED CDF CHIMIE AND PRIVATELY OWNED COMPAGNIE GENERALE DES ENGRAIS (GESA) AND LA GRANDE PAROISSE, TO ACHIEVE SIMILAR COOPERATIVE ARRANGEMENT HAVE BEEN CLEAR FAILURE. MOREOVER, EMC-GARDINIER NEXUS THROWS MONKEY WRENCH INTO GOF EFFORTS TO ACHIEVE CLOSER COORDINATION BETWEEN EMC AND CDF CHIMIE.

4. GOF IS ALSO CONCERNED BY TROJAN HORSE ASPECT OF PROPOSED AGREEMENT BETWEEN ONLY REMAINING MAJOR FRENCH PRODUCER, COMPAGNIE FRANCAISE DE L'AZOTE (COFAZ) AND THE AMERICAN FIRM AGRICO, WHEREBY COFAZ WOULD GET ACCESS TO AGRICO'S AMERICAN PHOSPHATE MINES IN RETURN FOR 40 PERCENT CONTROL OF COFAZ STOCK. GOF REACTION IS AMBIVALENT. GOF IS PLEASED BY PROSPECT OF LONG-TERM ACCESS TO AMERICAN PHOSPHATE RAW MATERIAL FOR SECOND LIMITED OFFICIAL USE

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FRENCH FIRM (GARDINIER ALREADY OWNS TWO U. S. MINES). BUT, AS MINORITY SHAREHOLDER OF COFAZ (THROUGH COMPAGNIE FRANCAISE DES PETROLES), GOF IS CONCERNED ABOUT CONTROL OF COFAZ, AND ALSO WORRIES ABOUT PRECEDENT SET BY FIRST AMERICAN EQUITY INTEREST IN FRENCH FERTILIZER INDUSTRY.

5. INSTEAD OF THREE-AXES (EMC-GARDINIER, CDF CHIMIE-GESA-LA GRANDE PAROISSE, AND AGRICO-COFAZ), GOF WOULD PREFER TWO-AXES FRENCH FERTILIZER SECTOR. GOF PREFERENCE WOULD PRESERVE OLD IDEA OF MERGING EMC AND CDF CHIMIE INTERESTS (PRESUMABLY TOGETHER WITH GARDINIER) IN ONE CAMP. ON THE OTHER SIDE WOULD BE LEFT COFAZ, GESA, LA GRANDE PAROISSE, ALL PRIVATELY CONTROLLED. AGRICO IS REPORTEDLY UNOPPOSED TO A GOF-SPONSORED ARRANGEMENT WITH COFAZ WHICH WOULD PROFITABLY INCORPORATE ADDITIONAL PRIVATE INTERESTS. GESA AND LA GRANDE PAROISSE, HAVING SUFFERED ILL-FATED ATTEMPT TO WORK OUT AN ARRANGEMENT WITH CDF CHIMIE, ARE PROBABLY OPEN TO THE RIGHT OFFER FROM AGRICO-COFAZ.

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R 071830Z JAN 77  
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6. GOF IS APPLYING PRESSURE AT THREE POINTS TO OBTAIN DESIRED RESTRUCTURING: (1) THROUGH STATE CONTROL OVER CDF CHIMIE, TO FORCE CLOSER COOPERATION BETWEEN IT AND EMC, (CDF CHIMIE LAST WEEK CONCEDED 80 PERCENT CONTROL OF PVC OPERATION AT MAZINGARBE IN ORDER TO BOLSTER EMC'S WANING INTEREST IN THAT JOINT VENTURE); (2) BY WITHHOLDING REQUIRED GOF APPROVAL OF AGRICO-COFAZ AGREEMENT, TO CHANGE TERMS OF AGRICO-COFAZ LINK TO INCLUDE PARTICIPATION OF MORE FRENCH FIRMS, NOTABLY GESA; AND (3) BY MAINTAINING AD HOC GOVERNMENT INTERVENTION ON IMPORT SIDE, TO IMPRESS FRENCH PHOSPHATE FERTILIZER MANUFACTURERS WITH ADVANTAGES OF CLOSE COOPERATION WITH GOF.

7. DISSENTER IN SCENARIO IS GARDINIER WHICH, AS DYNAMIC, NO-NONSENSE PRIVATE FIRM, DOES NOT WANT TO PLAY SECOND STRING IN ARRANGEMENT LED BY STATE-OWNED  
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FIRMS OR INCUR FINANCIAL AND MANAGERIAL LIABILITIES ASSOCIATED WITH DUPLICATION OF FACILITIES AND PERSONNEL WHICH WOULD RESULT (EMC AND CDF CHIMIE BOTH HAVE NITROGEN-BASED FERTILIZER OPERATIONS). ALSO DISSENTING ARE THE WORKERS OF CDF CHIMIE, WHO RECENTLY WENT ON PROTEST STRIKE TO DEMONSTRATE THEIR OPPOSITION TO GOF MANIFEST INTENTIONS TO MERGE EMC AND CDF CHIMIE IN AN ORGANIZATION "DOMINATED BY GARDINIER".

8. CONCLUSION: ALTHOUGH GOF INTENDS TO MAXIMIZE ITS LEVERAGE IN FRENCH FERTILIZER SECTOR BY PRESERVING ITS OPTION TO TAKE WHATEVER UNILATERAL ACTION FRENCH INDUSTRY MIGHT DEMAND, GOF MUST SOON FISH OR CUT BAIT ON PHOSPHATE FERTILIZER IMPORTS. MINISTRY OF INDUSTRY OFFICIALS CONCEDE THAT USE OF ADMINISTRATIVE VISA AS DE FACTO QUOTA RESTRICTION IS IN VIOLATION OF GATT. ONE OFFICIAL SOURCE EXPECTS ACTION THIS MONTH TO INTRODUCE UNILATERAL ARTICLE 19 QUOTAS TO PROTECT FRENCH PRODUCERS, REGARDLESS OF EVENTUAL FORM OF RESTRUCTURING. WHEN FRENCH DUCKLINGS ARE FINALLY IN A ROW, GOF WILL THEN HAVE PERMANENT IMPORT REGIME WHICH WILL INITIALLY ASSURE THEIR FLEDGLING LIVELIHOOD.

9. NOTE: IMPORT AND PRODUCTION STATISTICS REQUESTED REFTEL (A) ARE BEING SENT BY AIRGRAM.  
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## Message Attributes

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